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S. HRG. 98-571

NOMINATION OF MARY A. GRIGSBY

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

ON

THE NOMINATION OF MARY A. GRIGSBY TO BE A MEMBER OF THE FEDERAL HOME LOAN BANK BOARD FOR A TERM ENDING JUNE 30, 1986

JANUARY 26, 1984

Printed for the use of the
Committee on Banking, Housing, and Urban Affairs

U.S. GOVERNMENT PRINTING OFFICE
30-641 O WASHINGTON : 1984

5241-11

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NOMINATION OF MARY A. GRIGSBY

THURSDAY, JANUARY 26, 1984

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, D.C.

The committee met at 9 a.m., in room SD-538, Dirksen Senate Office Building, Senator Jake Garn (chairman of the committee), presiding.

Present: Senators Garn, Tower, Hecht, and Proxmire.

OPENING REMARKS OF CHAIRMAN GARN

The CHAIRMAN. The Banking Committee will come to order.

The purpose of this morning's hearing is to consider the President's nomination of Mary Grigsby to be a board member of the Federal Home Loan Bank Board.

And what I would like to do first is to welcome you, then turn to Senator Tower. I am extremely aware of his high regard for you. As I noted, he has some remarks to make.

OPENING STATEMENT OF SENATOR TOWER

Senator TOWER. Thank you, Mr. Chairman. It's a distinct pleasure this morning for me to present to the committee Mary A. Grigsby. Mary Grigsby is a very remarkable woman of great charm and skill. Her contribution to the savings and loan industry in Texas and as a member of the Home Loan Bank Board, in my view, will be lasting.

In late 1940, Mary married a Texan and moved from Denver, Colo., to Houston. Unemployed and armed only with a high school diploma and some college credit, Mary landed a job as a bookkeeper at Houston First Savings.

Thirty years later, Mary Grigsby became the president of Houston First Savings. She has earned the respect of the savings and loan industry as a leader and a manager. She is a person of immense energy, except for the 3 weeks she took off from work when her son, Scott, 25, was born. Mary has been at her job.

Serving now as vice chairman of the United Savings Association, Mrs. Grigsby is also active in the U.S. League of Savings Institutions, the Boy Scouts, the Houston Symphony and Ballet, and as a director of the Federal Home Loan Bank of Dallas.

It is with a great deal of enthusiasm and without reservation that I recommend Mary Grigsby to the committee, and I am delighted to present her, with her many talents, to the committee now.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Tower.

Mrs. Grigsby, could I have you stand to be sworn, before you give testimony.

[Witness sworn.]

The CHAIRMAN. Would you like to proceed with your testimony, please.

Senator TOWER. Before you proceed, Mary, Mr. Chairman, I would like to ask unanimous consent to enter a statement in support of Mary Grigsby by my distinguished colleague, Senator Bentsen, who is detained on other committeee business today and cannot be here.

The CHAIRMAN. Without objection, his statement will be included in the record. Please proceed.

[Complete statement follows:]

STATEMENT OF SENATOR BENTSEN

Mr. Chairman, it is my pleasure to support the nomination of Mary A. Grigsby to the Federal Home Loan Bank Board. Her abilities and experience will enable her to play an active and positive role in the continued progress of this vital segment of our financial industry.

Mary Grigsby knows the savings and loan business from the ground up. She started with Houston First Savings as a bookkeeper and worked her way up through the organization, becoming the president of the organization in 1971. She has most recently been serving as vice-chairman of the board of United Savings, the second-largest savings and loan in the State of Texas. She has also held many other industry-related positions, including serving as president of the Texas Savings and Loan League and as a member of the board of the Federal Home Loan Bank of Little Rock.

The Federal Home Loan Bank Board has the responsibility for supervising and assuring the soundness of over 3,000 savings and loan associations throughout America. The past few years have seen unprecedented strains placed on our financial system, and especially on the savings and loan industry. The current era of financial deregulation is placing additional strains on all our financial institutions. At the same time, there is still a continual need for home mortgage financing—the traditional specialty of the savings and loan association.

In today's challenging climate, the Federal Home Loan Bank Board needs experienced, forward-looking leadership. Mary Grigsby has long been supplying such leadership in Texas. Mary has proven her ability to work out practical, bipartisan solutions to problems, and I am pleased to join with my distinguished colleague from Texas, Senator Tower, in wholeheartedly recommending her for confirmation to the Federal Home Loan Bank Board.

STATEMENT OF MARY A. GRIGSBY, NOMINATED TO BE A MEMBER OF THE FEDERAL HOME LOAN BANK BOARD

Mrs. GRIGSBY. Thank you very much, Mr. Chairman, and thank you, Senator Tower. I am very appreciative of and flattered by your endorsement.

I consider it a rare privilege to be nominated by President Reagan to serve as a member of the Federal Home Loan Bank Board. I am really honored.

Mr. Chairman, I would like to take a moment to compliment you and your colleagues on this committee for providing the leadership in developing the Garn-St Germain Depository Institutions Act of 1982 and the diligence in pursuing the enactment of this much needed legislation.

Without this legislation the thrift industry would not have the tools to operate and prosper in the current competition of the real world. The industry is still in fragile condition but now we do have

good prospects for the future. The financial world is a completely different creature than it was when I entered the savings and loan industry over 42 years ago. I believe we are now experiencing one of the most exciting periods in financial history. We are watching this industry go through a complete metamorphosis—it is changing from a stodgy dinosaur to a vibrant, forceful business.

Now for the first time in 60 years savers at depository institutions are able to receive market rate interest on their funds—and for the first time the thrift industry has been given options to enable it to create assets which in turn will allow it to remain viable and to pay savers these increased earnings. The basic business of the savings and loan industry is housing financing. The new options will not cause it to abandon this purpose, rather they will complement it. We now have the means to gather funds to funnel into the housing market and help to stabilize the cyclical aspect of the savings and loan business. The new options now give the thrift industry some freedom and flexibility in using whatever expertise it possesses. Not all savings and loans want to be everything to everybody. Many will want to be boutiques—offering their own particular specialties.

Many people are saying that savings and loans are now just like banks. This is absolutely not true. They will find that in using our limited new powers—which by the way, are far narrower than banking powers—the savings and loans have called on the same expertise that has served them so well throughout the years. Most of the consumer loans are home-related—most of the real estate authority is geared to acquiring and developing land which in turn will provide lots for the building of housing.

I come from a State that has had most of the new powers for many years, and even with these powers, housing has remained the number one priority. During the last few critical years, in many instances, the ability to use some of these powers was the only tool that enabled some associations to survive. Now all associations are in the process of digesting the new powers. The powers we have may not be the only ones we need but I hope we can rely on Congress to review the situation and give us new avenues as we need them.

I am sure you are interested in my qualifications for this appointment. I have served in every facet of the savings and loan industry. I have had hands-on experience since 1941 in the savings area, loan area, accounting department, legal department, land development and have served the same association as administrative vice president, executive vice president, president, chief executive officer, and chairman of the board. I have been president of the Harris County League of Savings Associations, and president of the Texas League of Savings Institutions. I have been a director of the Federal Home Loan Bank of Dallas and on the executive committees and director of both the U.S. League and the National League. I also served on the Advisory Council of the Federal Reserve.

During this time our company accomplished many things. First we were a State mutual, then a Federal mutual. In 1963 we converted to a State stock company, after which a 15-year moratorium was placed on conversions. We formed a holding company, and put a bank and a savings and loan in the same holding company. By

the way that was a great operation while it lasted. We formed service corporations, bought, sold and developed land, sold our company to an insurance company, we merged, we divested, we issued mortgage backed bonds, and bought and sold mortgages in the secondary market, including FHLMC and FNMA. In fact, I guess our association did a little bit of everything. And during all this history, I can still say that I have never seen an industry that overall does more for the public good than the thrift industry. Now with the partial deregulation of the asset side of the ledger by the Garn-St Germain bill, the industry is given a chance to be creative and, in turn, to survive and offer many innovative services to the consumer.

I am more or less a free market advocate. Based on my experience in this industry, I believe that even regulated industries, such as the savings and loan industry, need flexibility and options, within the guidelines set by Congress and their regulators, to achieve sound business and housing goals. That is why I again salute this committee for initiating the deregulation process for the savings and loan industry. If confirmed as a member of the Federal Home Loan Bank Board, I hope to be able to preserve options for the savings and loan associations that continue to operate in a safe and sound manner. For those institutions that do not operate soundly, I believe the Board must act responsibly to require compliance with the rules and regulations of the Board.

The Federal Home Loan Bank System serves the industry as a credit facility and the Board as a regional supervisor for the savings and loan industry. I recognize the major role a strong bank system plays in a strong savings and loan industry and, if confirmed, I intend to help keep it strong.

I also fully understand my fiduciary responsibility to preserve the fund of the Federal Savings and Loan Insurance Corporation, and I do not take this obligation lightly. The FSLIC seal on the door of a savings and loan is a valuable asset, and I intend to help maintain that value.

As someone who has witnessed and has experienced over 40 years of evolution and development in the financial services industry, I am honored and proud to have the opportunity to participate in shaping the policies that will affect the savings and loan industry in the future.

I am looking forward to working with Chairman Ed Gray and Board Member Don Hovde, as I know them both to be creative and solid thinkers with good judgment and really dedicated to the good of the thrift industry.

I thank you for your time and will be happy to answer your questions.

The CHAIRMAN. Thank you very much. I understand that you will sell the shares you now hold in Allied Bank Shares within 90 days of your confirmation; Is that correct?

Mrs. GRIGSBY. That is correct.

The CHAIRMAN. And I understand you will sever your ties with Houston First American, and they will completely settle any outstanding contract obligations for employment or consulting services now existing with you, when you are confirmed; Is that correct?

Mrs. GRIGSBY. It's now United Savings and Loan. We merged. But that is correct.

The CHAIRMAN. You are saying, then, that you will avoid even the appearance of any conflict of interest during your service as a member of the Federal Home Loan Bank Board?

Mrs. GRIGSBY. Yes, I will.

The CHAIRMAN. And will you agree to appear before this and other committees of the Congress when requested?

Mrs. GRIGSBY. I'll be very happy to.

The CHAIRMAN. The Bank Board of the FDIC recently invited public comments on regulations they proposed, which would generally preclude third party brokered deposit programs. I have heard criticism of the rule, that the proposal goes too far, that instead of targeting unscrupulous brokers, it prohibits all brokered deposit programs.

I am aware you are obviously still in the nomination stage of your confirmation, but do you have any thoughts on this proposed rule on brokered deposits?

Mrs. GRIGSBY. Mr. Chairman, the rule has been proposed, and it is out for comment, and I would really like to see the comment letters before I say anything about it. I think it would be helpful to see what the comment letters say.

The CHAIRMAN. I understand.

Recently, as you know, our savings institutions have increased their use of variable rate mortgages. How do you find consumers responding to all of the choices? Have they become so used to the fixed rate mortgages, now that they are faced with a variety of choices? Also what are your feelings, not only about the situation now, but when these interest rates start ballooning in the future, how will they respond to that, at that time?

Mrs. GRIGSBY. We started the ARM's back in, I believe it was 1980, and we had quite a bit of trouble getting them accepted at that time. However, money was scarce, and a lot of people started taking them for that reason. Now we find that in our area, they are accepted quite readily, and the figures that have come out show that there are more ARM's being accepted now than the fixed rates.

The CHAIRMAN. Do you have any concerns about the future? Obviously, there are a variety of adjustable rate and variable rate mortgages, but when the payments start going up, or they have balloons, do you have any anticipation—from your experience in Texas where you had them before they became available nationally as to what kind of repercussions or comments we can expect, as they get further down the road? Are consumers saying "Well, it's all I can get at the time, and I have to accept it"?

Mrs. GRIGSBY. I think it is going to turn out all right. As we go along, most of the people that have these, each one of them gets a little better job as it goes along, gets a little more money in their income, and I don't believe we're going to have trouble with it.

The CHAIRMAN. I hope you're right. [Laughter.]

The Bush Task Force on regulatory reform has not come up with its report. We anxiously await their recommendations on regulatory reform. But what are your views on the Federal Home Loan

Bank Board and its mission, the need for a separate regulator of those who are primarily involved in housing finance?

Do you have any views on that?

Mrs. GRIGSBY. Well, I think the Federal Home Loan Bank System has been working very, very well, and I'm sort of an advocate of, "If it ain't broke, don't fix it." But I think they have done a pretty good job, and I don't think now is the time to do anything about it.

The CHAIRMAN. So you would feel that it should remain as a separate agency?

Mrs. GRIGSBY. Yes, I do.

The CHAIRMAN. Would you feel that bank savings and loan institutions who are primarily involved in mortgage lending should be under that particular regulator then?

Mrs. GRIGSBY. I know that is one of the things that's being discussed a lot, and I would like to look into that a little further, but I would think that it sounds quite reasonable.

The CHAIRMAN. Senator Proxmire.

Mr. PROXMIRE. Mrs. Grigsby, you do indeed have a very impressive career. You have done extremely well.

Mrs. GRIGSBY. Thank you.

Mr. PROXMIRE. It's reassuring to have somebody with your practical experience in the field as a nominee for the Federal Home Loan Bank Board.

I understand that you are the vice chairman of United Savings Association of Houston, Tex., which has a service corporation called United Financial Corp.

Mrs. GRIGSBY. That is correct.

Mr. PROXMIRE. Now, according to documents filed with the SEC, United Financial is attempting to acquire control of a company called Castle and Cooke which sells tuna fish, pineapples, bananas and other food products; and it has been very prominent in operations in Hawaii and now they are in Alaska, too.

The plan for acquiring Castle and Cooke seems to have been initiated by Mr. Charles Hurwitz who also controls a substantial interest in the United Savings Association. In a recent article in Forbes Mr. Hurwitz was described as a man—and I quote—"* * * known for his brilliant and controversial financial deals," and as one who "* * * has cut a few too many corners to get what he wants."

United Financial has already purchased 5.4 percent of Castle and Cooke's stock and has served notice it intends to buy in excess of 15 percent. Another company controlled by Mr. Hurwitz has purchased 3.8 percent of the company's stock.

Castle and Cooke is apparently opposed to these acquisitions. All of United Financial's investment, $25 million, has been financed by the United Savings Association, your corporation.

My question, first: As a potential member of the Federal Home Loan Bank Board would you approve of other savings and loan associations engaging in similar activities?

Mrs. GRIGSBY. Let me explain a little bit about that situation. We merged with United Financial Group in June of last year. I was going to retire on December 31, 1983, so during that period, from

June to December, I was really not active in the management of the new merged association.

The Castle and Cooke proposal was brought to the board, I believe, in December and at that time the management had gone to the State commissioner and asked permission to buy up to $50 million in Castle and Cooke. At the time of the board meeting, the board was presented with the Castle and Cooke investment opportunity by Charles Hurwitz and that proposal explained that it was for investment purposes, only; that Castle and Cooke was a firm that held a lot of undervalued real estate.

And at the time the board unanimously voted to acquire 23 million dollars'worth of Castle and Cooke stock, which I think is about 5.4 percent.

Now, I am not privy to any of these other things that have been going on that you are talking about.

Mr. PROXMIRE. My question is a general question, which I brought up as a background that did relate to the familiarity you have, as you just indicated, to this kind of action although you did not take part in it yourself. The question is:

Would you approve other savings and loan associations engaging in similar activities?

Mrs. GRIGSBY. For investment purposes, yes. We have been given that privilege.

Mr. PROXMIRE. You say "for investment purposes". How about for hostile acquisition purposes; that is, for acquiring control?

Mrs. GRIGSBY. Well, I would say you could buy a mortgage company or things like that. Now, this particular situation, I just don't know——

Mr. PROXMIRE. Pardon me for interrupting. I'm talking about acquiring an unrelated company, not specifically for investment purposes but getting a sufficient control of the stock so the savings and loan could run it—operate it.

Mrs. GRIGSBY. If it's a legal thing that we can do, I would say we could do it.

Mr. PROXMIRE. Even though it's unrelated to the savings and loan business? You're talking about a mortgage company acquisition being appropriate; but would you think something as unrelated as Castle and Cooke's activities would be proper for a savings and loan?

Mrs. GRIGSBY. Well, the way this one was presented to us, yes. I would think it would be.

Mr. PROXMIRE. Let me ask you this: Do you believe an investor specializing in corporate acquisitions should be able to control a savings and loan association and use the deposits of that association to finance his corporate acquisitions?

Mrs. GRIGSBY. Not affiliates, no.

Mr. PROXMIRE. Not what?

Mrs. GRIGSBY. Not affiliates of the company. They should not borrow money from the association to do that.

Mr. PROXMIRE. Well, in this case I'm talking about a situation where Charles Hurwitz, who does seem to specialize in corporate acquisitions, has moved in to acquire substantial stock. He had 52½ percent of Federal Development Co.; 9.9 percent of United Fi-

nancial Group; and in that case he is obviously an investor specializing in corporate acquisitions.

Is it proper for somebody with this background or is it a sensible policy to permit him to control the savings and loan association and use the deposits to finance his corporate acquisitions?

Mrs. GRIGSBY. Well, that really isn't what they were doing. The savings and loan was investing in the company just as an investment.

Mr. PROXMIRE. Well, they acquired 5 percent. The intention, it's clear, was to acquire in excess of 15 percent.

Mrs. GRIGSBY. To go up to 15 percent, is my understanding. I did not know about that increase.

Mr. PROXMIRE. Your judgment would be whether or not this was a matter of acquiring control or a matter of investment. Is that right?

Mrs. GRIGSBY. That's right.

The CHAIRMAN. If I can interject, Senator, one comment.

In my study of this area, Texas laws are a great deal more permissive in a lot of things than the laws we deal with nationally with the Federal Home Loan Bank Board. And so it's a different situation, within Texas.

What we are doing, as a matter of fact, is continually using Texas as an example as far as capital requirements and also commercial authorities; and I understand what you're driving at. I just wanted to differentiate between what she will be working with in the Federal Home Loan Bank Board and what can be done in Texas because, in many cases, they are two different things.

Mr. PROXMIRE. Well, what concerns me, Mr. Chairman, is the fact that Federal Government deposit insurance is involved here.

The CHAIRMAN. I understand.

Mr. PROXMIRE. Now, do you believe, Ms. Grigsby, that Federal deposit insurance should be able to finance hostile corporate acquisitions by savings and loan associations?

Mrs. GRIGSBY. It doesn't sound right.

Mr. PROXMIRE. What's that?

Mrs. GRIGSBY. It doesn't sound right.

Mr. PROXMIRE. Well, in this case it would be a hostile takeover. Castle and Cooke has indicated they are fighting it, opposing it.

Mrs. GRIGSBY. I just don't know anything about that. I have never been involved in a hostile takeover and I just really don't know how that works.

Mr. PROXMIRE. As you look ahead over the next 10 years, what changes do you foresee in the thrift industry and what do you regard as the appropriate role of thrifts in our financial system?

Mrs. GRIGSBY. Well, as I have said before, the thrift industry's No. 1 priority is still in housing and I think it is going to be 10 or 15 years before we see a whole lot of change in the industry, and I don't know whether there ever will be a change in it. I think that right now we do have the right to do things that we didn't have before. But even in Texas we have had those rights for a long, long time and still the No. 1 priority is housing, and we do the other things to give us enough money to follow through in the housing area.

And I don't believe there's going to be much change in that.

Mr. PROXMIRE. So you see the future role of the thrifts as continuing to be financing housing predominantly?

Mrs. GRIGSBY. Predominantly.

Mr. PROXMIRE. And you would do you best to see they would pursue that. There are bills before this committee that would specifically permit bank holding companies to acquire savings and loan associations.

What are your views on having bank holding companies acquire S&L's? Do you think it's a good idea for a bank to own an S&L?

Mrs. GRIGSBY. I have not seen all the background on all the things that are coming out on bank holding companies since I just got here. That's something I haven't really looked into too much, but I will look at it and keep an open mind on it.

Mr. PROXMIRE. You have no conviction at the present time, though?

Mrs. GRIGSBY. The only thing I can say is I was in a holding company that had a bank and a savings and loan in it, and it worked very well.

Mr. PROXMIRE. Now, I have been critical of the Home Loan Bank Board's decision to approve the acquisition of two troubled savings and loan corporations by Citicorp. One of the problems highlighted by this decision was the extreme difficulty of Congress or the public in getting access to the information and financial analyses used by the Bank Board in reaching its decision.

As a result it was difficult for anyone to evaluate the Board's contention that it had no reasonable alternative but to approve the Citicorp bid.

Would you favor greater public disclosure of the bids submitted for troubled savings and loan associations and the financial projections prepared by the Board staff to analyze those bids?

Mrs. GRIGSBY. The only thing I can say about that is that I do know that the Board did what was permitted in the Garn-St Germain bill and I understand that it is under litigation now; and I think I would like to see all of that before I say anything about that.

Mr. PROXMIRE. Well, you see, this is what I'm driving at here. My time is up. Let me just pursue this a little further. Half a minute.

What I am asking about is not whether this should be permitted and whether it complied with Garn-St Germain. The question is whether or not we should take action to reassure ourselves in the future that we, the Congress and the public, has more information so we can evaluate whether or not it was in compliance with the law.

We think it is, but we don't have enough information to make that as a mature judgment.

Mrs. GRIGSBY. I just know that the Federal Home Loan Bank Board was given the right to do that and I think they would act the way they should.

Mr. PROXMIRE. Well, again, what I'm asking is whether we should have more information; whether or not the information involving the justification of the takeover should be more widely dispersed.

Mrs. GRIGSBY. Well, that's what I was saying. I would think the Federal Home Loan Bank would be acting in a responsible way and I don't know why they would need to do this.

Mr. PROXMIRE. My time is up, Mr. Chairman.

The CHAIRMAN. Senator Tower.

Senator TOWER. Mrs. Grigsby, Senator Garn, and I and Senator Proxmire are proponents of legislation that would increase participation of the private sector in the secondary mortgage market.

Do you have any particular views on that effort?

Mrs. GRIGSBY. On the secondary market?

Senator TOWER. Yes.

Mrs. GRIGSBY. I think, of course, the broader the secondary market can be, the better for the housing industry.

Senator TOWER. In other words, you see an intention to expand the funding available for housing?

Mrs. GRIGSBY. In some way. I don't know what the right way is.

Senator TOWER. Thank you. I don't have any further questions, Mr. Chairman.

The CHAIRMAN. Senator Hecht.

Senator HECHT. Thank you, Mr. Chairman.

I'm happy to see in your background you have some merchandising experience. That's where I came from, as well as banking, and I'm very impressed with your background. To me it's very refreshing to have someone come here who has worked their way up. I guess after 1 year here in the Senate, I have seen so many college professors and economists and I would——

Senator TOWER. Careful! You've got one sitting next to you. [Laughter.]

Senator HECHT. One thing about them, they were completely wrong last year, when I got here, because——

The CHAIRMAN. It's been so long since he's been a college professor, he's forgotten it. [Laughter.]

Senator HECHT. Anyway, you failed to mention the degree which I think that you have, a Ph. D. in economics, magna cum laude, from the "School of Hard Knocks."

Mrs. GRIGSBY. That's correct.

Senator HECHT. It's nicè to see you. Congratulations.

Mrs. GRIGSBY. Thank you very much.

The CHAIRMAN. Senator Proxmire.

Senator PROXMIRE. I just have a few more questions, Mrs. Grigsby. There have been some feelings that we have made deposit insurance too freely available, especially to large investors, who should properly assume some risk. In so doing, it is felt the market would impose greater discipline on financial institutions, compared to the regulators.

Do you share this concern and, if so, what can the Bank Board do about it?

Mrs. GRIGSBY. Well, I'm sort of back to that same spot that I was on the other deal. The regulation has been put out by the Federal Home Loan Bank Board to tighten up the lines on those brokered funds, and the proposal is out for comment, and I would like to see those comment letters to see the problems we're having or not having with the brokered fund situation.

Senator PROXMIRE. There has been some criticism, both within and without the savings and loan industry, that some savings and loan associations still haven't learned the lessons of the late 1970's and early 1980's, when the entire industry was nearly wiped out because of a severe mismatch between the maturity of assets and liabilities.

I'm sure you're very familiar with that——

Mrs. GRIGSBY. That's right.

Senator PROXMIRE [continuing]. And what happened with interest rates going through the roof.

What is your sense of how well the industry has learned its lesson, and what do you think the Federal Home Loan Bank Board can do to improve asset liability management on the part of the savings and loan industry?

Mrs. GRIGSBY. I think that the Federal Home Loan Bank Board and the district banks, the U.S. League and the National League, have all started doing some education, and I think they have really taught the savings and loans how to do some of the things, and the industry is in a learning stage right now. I believe they are all really trying to match their assets and liabilities and do things so they won't get into the same crisis they were in before.

Senator PROXMIRE. Would you want to encourage this, as a member of the Board?

Mrs. GRIGSBY. I certainly would.

Senator PROXMIRE. How do you feel about a securities firm owning a savings and loan association? Do you see any problems with this type of ownership?

Mrs. GRIGSBY. That's a tough one, and I really wouldn't know how to answer that yet. I really wouldn't. I think that's one of the toughest questions we have had in a long time.

The CHAIRMAN. Congress doesn't know either.

Senator PROXMIRE. As you study it and get an opinion on this, if you would let the chairman of the committee know.

Mrs. GRIGSBY. I would love to.

Senator PROXMIRE. Thank you very much, Mr. Chairman.

I just want to say in conclusion, that I am very impressed by the nominee, and I think the President has made an excellent choice, and it's great to have somebody with your solid, practical experience. As Senator Hecht says so well, with a Ph. D. in the "School of Hard Knocks."

Mrs. GRIGSBY. Thank you very much.

The CHAIRMAN. We appreciate your being here today.

When you get the answers to some of these questions—I'm not being facetious—please let us know. We have been struggling with some of these questions for several years, and we deal with them in the new bill I have submitted, on which we have held one hearing so far. The diversity of the testimony was not unexpected, and so there are a lot of hard questions that we are going to have to ask, if we look at all of the revolutionary things taking place in the financial service industry.

As a member of the Board, if you have any revelations after you serve for a while, and you can assist us in making some of these tough controversial decisions on who should own what and who should do what, we will be very happy to receive that.

Mrs. GRIGSBY. I don't mind telling you what I think, when I really know what I think.

The CHAIRMAN. I am sure that would be true.

I think the President has made an excellent nomination, and we will look forward to working with you. I certainly don't anticipate any problem with your confirmation.

Mrs. GRIGSBY. Thank you very much for your time.

The CHAIRMAN. Thank you very much.

The committee is adjourned.

[Whereupon, at 9:20 a.m., the hearing was adjourned.]

[The complete prepared statement and biographical sketch of nominee follow:]

STATEMENT OF MARY A. GRIGSBY, NOMINATED TO BE A MEMBER OF THE FEDERAL HOME LOAN BANK BOARD, BEFORE THE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS OF THE UNITED STATES SENATE

Mr. Chairman:

Thank you very much Mr. Chairman and thank you Senator Tower. I am very appreciative of and flattered by your endorsement.

I consider it a rare privilege to be nominated by President Reagan to serve as a member of the Federal Home Loan Bank Board. I am really honored.

Mr. Chairman, I would like to take a moment to compliment you and your colleagues on this Committee for providing the leadership in developing the Garn-St Germain Depository Institutions Act of 1982 and the diligence in pursuing the enactment of this much needed legislation.

Without this legislation the thrift industry would not have the tools to operate and prosper under the current competition of the real world. The industry is still in fragile condition but now we do have good prospects for the future. The financial world is a completely different creature than it was when I entered the savings and loan industry over 42 years ago. I believe we are now experiencing one of the most exciting periods in financial history. We are watching this industry go through a complete metamorphosis -- it is changing from a stodgy dinosaur to a vibrant, forceful business.

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Now for the first time in 60 years savers at depository institutions are able to receive market rate interest on their funds -- and for the first time the thrift industry has been given options to enable it to create assets which in turn will allow it to remain viable and to pay savers these increased earnings. The basic business of the savings and loan industry is housing financing. The new options will not cause it to abandon this purpose, rather they will complement it. We now have the means to gather funds to funnel into the housing market and help to stabilize the cyclical aspect of the savings and loan business. The new options now give the thrift industry some freedom and flexibility in using whatever expertise it possesses. Not all savings and loans want to be everything to everybody. Many will want to be boutiques --offering their own particular specialties.

Many people are saying that savings and loans are now just like banks. This is absolutely not true. You will find that in using our limited new powers -- which by the way, are far narrower than banking powers --the savings and loans have called on the same expertise that has served them so well throughout the years. Most of the consumer loans are home-related -- most of the real estate authority is geared to acquiring and developing land which in turn will provide lots for the building of housing.

I come from a state that has had most of the new powers for many years and even with these powers -- housing has remained the number one priority. During the last few critical years, in

many instances, the ability to use some of these powers was the only tool that enabled some associations to survive. Now all associations are in the process of digesting the new powers. The powers we have may not be the only ones we need but I hope we can rely on Congress to review the situation and give us new avenues as we need them.

I am sure you are interested in my qualifications for this appointment. I have served in every facet of the savings and loan industry. I have had hands on experience since 1941 in the savings area, loan area, accounting department, legal department, land development and have served the same association as Administrative Vice President, Executive Vice President, President, Chief Executive Officer and Chairman of the Board. I have been President of the Harris County League of Savings Associations, and President of the Texas League of Savings Institutions. I have been a Director of the Federal Home Loan Bank of Dallas and on the Executive Committees and Director of both the U.S. League and the National League. I also served on the Advisory Council of the Federal Reserve.

During this time our company accomplished many things. First we were a state mutual, then a federal mutual. In 1963 we converted to a state stock company (after which a 15 year moratorium was placed on conversions). We formed a holding company -- put a bank and a savings and loan in the same holding company (by the way, that was a great operation while it lasted). We formed service corporations, bought, sold and developed land, sold our company to an insurance company, we

merged, we divested, we issued mortgage backed bonds, bought and sold mortgages in the secondary market, including Freddie Mac and Fannie Mae. In fact, I guess our Association did a little bit of everything. And during all this history I can still say that I have never seen an industry that over all does more for the public good than the thrift industry. Now with the partial de-regulation of the asset side of the ledger by the Garn-St Germain bill, the industry is given a chance to be creative and, in turn, to survive and offer many innovative services to the consumer.

I am more or less a free market advocate. Based on my experience in this industry I believe that even regulated industries such as the savings and loan industry, need flexibility and options, within the guidelines set by Congress and their regulators to achieve sound business and housing goals. That is why I again salute this committee for initiating the deregulation process for the savings and loan industry. If confirmed as a member of the Federal Home Loan Bank Board, I hope to be able to preserve options for the savings and loan associations that continue to operate in a safe and sound manner. For those institutions that do not operate soundly, I believe the Board must act responsibly to require compliance with the rules and regulations of the Board.

The Federal Home Loan Bank System serves the industry as a credit facility and the Board as a regional supervisor for the savings and loan industry. I recognize the major role a strong Bank System plays in a strong savings and loan industry and, if confirmed, I intend to help keep it strong.

I also fully understand my fiduciary responsibility to preserve the fund of the Federal Savings and Loan Insurance Corporation, and I do not take this obligation lightly. The "FSLIC" seal on the door of a savings and loan is a valuable asset and I intend to help maintain that value.

As someone who has witnessed and has experienced over forty years of evolution and development in the financial services industry, I am honored and proud to have the opportunity to participate in shaping the policies that will affect the savings and loan industry in the future.

I am looking forward to working with Chairman Ed Gray and Board Member Don Hovde as I know them both to be creative and solid thinkers with good judgment and really dedicated to the good of the thrift industry.

I thank you for your time and will be happy to answer your questions.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: GRIGSBY (LAST) MARY (FIRST) ADELE (OTHER)

Position to which nominated: Board Member -Federal Home Loan Bank Date of nomination: 11-15-83

Date of birth: 25 (DAY) 7 (MONTH) 1916 (YEAR) Place of birth: Elyria, Ohio

Marital status: Married Full name of spouse: Robert Ishmael Grigsby

Name and ages of children: Scott Garner Grigsby 25

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Shaw High School	Sept 1931 to June 1935	High School Diploma	
Various courses helpful in business taken at various locations			

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

NONE

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
SEE EXHIBIT "A"		

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

6/41 to date	Houston First Savi... - name changed to Houston First American Savings; now, United Savings Association of Texas	P.O.Box 42700 Houston TX 77242	Started as Bookkeeper; moved through ranks to Chairman of Board of Houston First American; NOW Vice Chairman of United Savings Association of Texas
12/40-6/41	Unemployed-just married and moved from Denver, Colorado to Houston, Texas	Houston,Texas	N/A
1938-12/40	Colorado Light & Power	Denver, Colorado	Bookkeeper
6/36 & 1937	Neustetter's	Denver, Colorado	Merchandising
6/35-6/36	Lindner Company	Cleveland, Ohio	Merchandising

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

NONE

Published writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

NONE

Political affiliations and activities: List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

NONE

Political contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

Sen. Alan Cranston	$1,000	1982	SALPAC	$2,500	Est *
			SALPAC	700	Est *
Gov. Mark White	500	1982	NALPAC	500	Est *
Sen. John Tower	1,000	1982	* at various times		
Sen. Jake Garn	500	1982	during last 8 years		

* At various times

Qualifications: State fully your qualifications to serve in the position to which you have been named.
(attach sheet)

Have been in the Savings and Loan Business since June 1941; have held positions in every phase of the business - accounting; legal; loans; savings and executive. Also held various positions in local; state and national trade associations.

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

YES - except for hospital insurance which will be on United Savings Plan, but paid by me.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

NONE

3. Has anybody made you a commitment to a job after you leave government?

NO

4. Do you expect to serve the full term for which you have been appointed?

YES

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

NONE

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

Allied BancShares Stock

United Financial Group Stock

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

NONE

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

NONE

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

Will sell United Financial Group shares; will resign from any boards which are considered conflict of interest

If necessary, will arrange to sell Allied BancShares stock at a pre-set price

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

NONE

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

NONE

MARY A. GRIGSBY

EXHIBIT "A"

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MEMBERSHIPS

Director:	Federal Home Loan Bank of Little Rock
Director:	U. S. League of Savings Institutions
Director:	RMIC Corporation
Director:	Executive Board - Sam Houston Council Boy Scouts of America
Director:	Theatre Under the Stars
Director:	Houston Youth Symphony & Ballet
Trustee:	Houston Ballet
Chairman:	Board of Governors - Plaza Club
Member:	Board of Trustees - Foundation for the Retarded
Member:	Board of Trustees - University of Houston Foundation
Member:	Southern Regional Forum - Urban Land Institute Council on Development Choices for the '80s
Member:	Legislative Committee - Texas Savings and Loan League
Member:	Community Betterment Committee - Houston Chamber of Commerce
Member:	Executive Committee - National Council of Savings Institutions
Member:	Advisory Committee - Texas Tech School for Savings and Loans
Member:	Thrift Advisory Committee Federal Reserve Board
Member:	College of Business Administration Development Council - Texas A&M University
Member:	Following Committees - United States League of Savings Institutions Committee for Public Held Companies DIDC Committee Restructuring Committee Legislative Policy Committee Executive Committee
Member:	Federal Home Loan Bank Deposit Insurance Study

Former Director:	American Red Cross
Former Director:	Texas Savings and Loan League
Former Director:	Association for Corporate Growth
Former Member:	Task Force on Housing Costs for U. S. Department of Housing and Urban Development
Past President:	Texas Savings and Loan League
Past President:	Greater Metropolitan Houston Savings and Loan League

Served on Housing Cost Committee - Rice Center

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